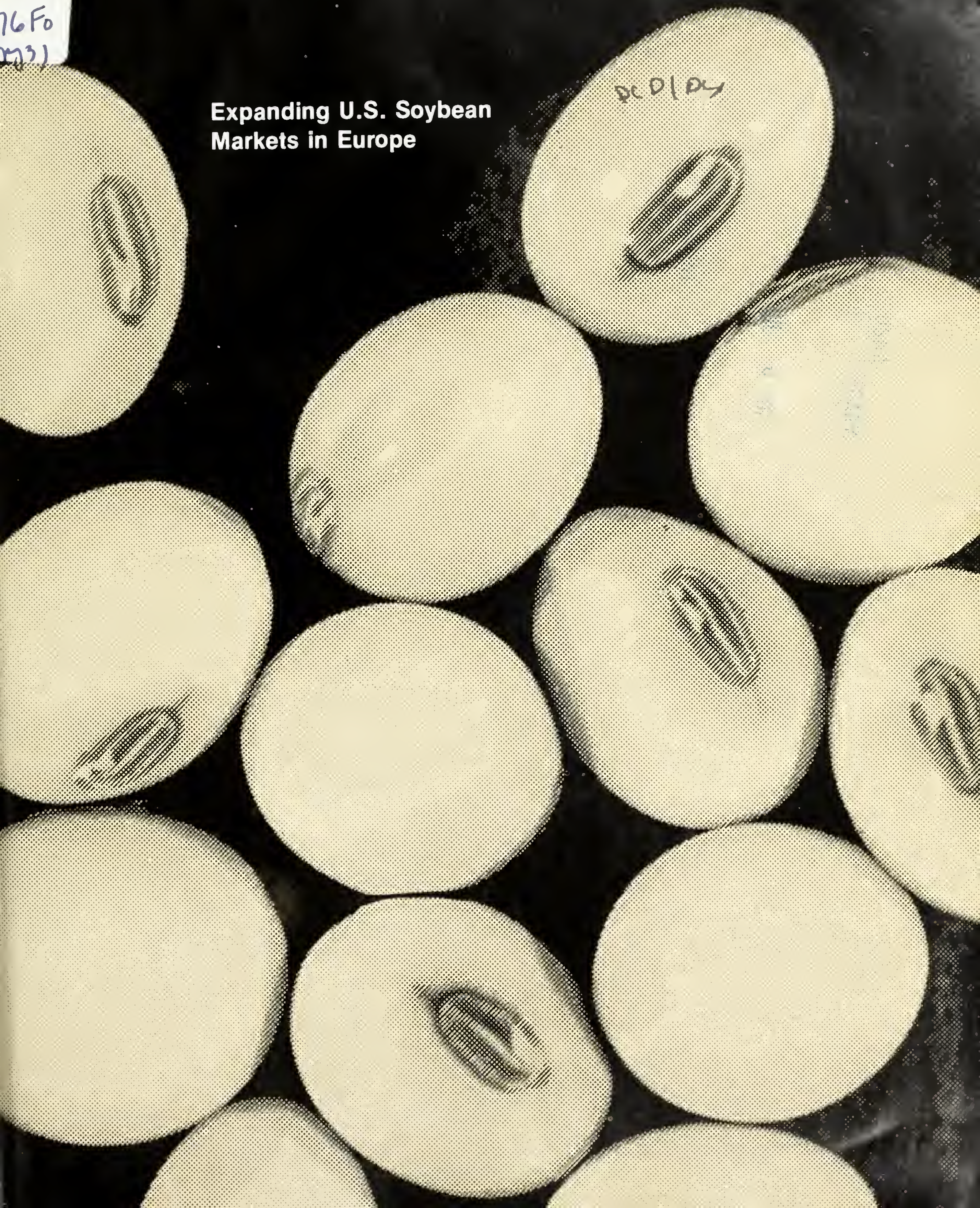
United States
Department of Agriculture

Foreign Agricultural Service

January 1986

Foreign Agriculture



Expanding U.S. Soybean Markets in Europe

Marketing News

MEF Completes Its First Market Analysis Trip to China

Meat Export Federation (MEF) has completed its first market survey trip to China, concluding that the potential for U.S. red meat trade is positive but limited. "At this point, the market is strictly high-quality beef for the first-class hotels, with most of these hotels under joint venture with U.S. corporations," MEF President Alan R. Middaugh said. "Already, many of the major hotels feature U.S. beef on their menus. In most instances, the meat was being shipped through Hong Kong."

MEF Asian Director Phil Seng reported that while China could see a fivefold increase in its imports of beef from the United States, the market was still very small. "Beef imports could increase from 16 tons in 1984 to 100 tons in 1985," Seng said. "But the United States is servicing no more than a dozen hotels. Increased demand for our beef will be directly related to the growth in tourism."

Other MEF activities last fall included hosting two U.S. beef promotions in China. MEF also participated in the Ag China Show last November in Beijing—the first representation for the U.S. meat industry in a trade show in China. It assisted its meat-packer members with show arrangements and hosted a reception for trade and media the last day of the show.

SUSTA Plans Food Promotions In London and Paris

As a part of **Southern United States Trade Association**'s (SUSTA) export market development activities for high-value products (HVP's) in Europe, SUSTA plans to carry out "A Taste of Dixie" promotion with Harrods of London during fiscal 1986. The renewed strength of the pound should add to the promotion's success. Forty SUSTA companies have already expressed interest in the promotion.

A similar promotion is being considered with Au Printemps, a department store In Paris for 1987. SUSTA also hopes to get involved in a food promotion for U.S. foods which will be carried out in France by EUREST, a large international food service company which operates 450 restaurants in France alone. The EUREST people are interested in southern foods for their menu and are planning to make a trip to New Orleans to learn about foods, recipes and menus and to discuss ideas for the promotion.

Arab Bread and Baking Symposium In Baghdad

U.S. Wheat Associates (USW) Cairo Regional Director Michael Schultz presented an overview of USW's market promotion activities in the Middle East at the "Symposium - The Nutritional Role of Bread and Baking Technology in the Arab World" held in Baghdad, Iraq, last fall. The symposium was organized by a committee composed of representatives of the Arab Federation of Food Industries and the State Organization for Grains of Iraq. Topics included use of composite flour, bread marketing in the Arab world and the effect of milling technologies and baking methods on the nutritional value of flour and bread. Schultz stated that the symposium was an excellent opportunity to strengthen USW's contacts not only with the Iraqi representatives but also with the representatives from Saudi Arabia, Jordan, Kuwait, Yemen Arab Republic and Turkey, as well as the different Arab organizations.

Soybean Association Builds Credibility In Nigeria

The **American Soybean Association** (A.S.A.) and the **Foreign Agricultural Service** supported soybean promotional seminars In Nigeria last summer. The purpose of the seminars, which took place in three locations and hosted approximately 500 people, was to promote soybean meal to Nigeria's poultry Industry. The seminars were part of the Soybean Association's continuing effort to promote soybean meal in this area.

Dr. David Thomason, an A.S.A. speaker at the seminar, said: "We saw a lot of soybean meal being used. And Nigerian poultry producers told us they are considering directly Importing soybean meal to meet their needs." He feels the outlook for full fat-soybeans and soybean meal use there is good. "We're showing poultry producers how to raise more poultry and formulate better feed with soybeans. With continued promotion, their Industry couls soon use meal equivalent to as much as 10 million bushels of soybeans to meet its growing feed needs," he said.

The Magazine for Business Firms Selling U.S. Farm Products Overseas

Published by
U.S. Department of Agriculture
Foreign Agricultural Service

Managing Editor
Edwin N. Moffett
(202) 382-9443

Design Director
Vincent Hughes

Writers
David Garten
Lynn K. Goldsbrough
Maureen Quinn
Aubrey C. Robinson
Geraldine Schumacher

Associate Designer
Sylvia Duerkson

Features

Departments

25 Years of Promoting U.S. Soybeans And Products in the German Market

By Dr. Karl W. Fangauf

On Dec. 1, 1985, the American Soybean Association (ASA) marked its 25th anniversary of market development activities in northern Europe.

Since 1960, ASA representatives in the north European office in Hamburg, Federal Republic of Germany (FRG), have been promoting U.S. soybeans and soybean products in the FRG, Denmark, Sweden, Norway, Finland, Austria and Switzerland. Following is a trilogy of stories featuring ASA's efforts in some of these targeted countries.

FOREIGN AGRICULTURE recently interviewed Dr. Karl W. Fangauf, director of the American Soybean Association's (ASA) north European office in Hamburg, about market development efforts in West Germany on the eve of a quarter century of work there. Fangauf has been director of the Hamburg office since it opened in 1960.

Q: How would you describe the West German market for U.S. soybeans and products?

A: The West German market is unique. Nearly 50 percent of the soybean meal consumed in West Germany bypasses the large commercial feed manufacturers and is consumed directly on the farm, where it is mixed with domestic grain. In contrast to other countries where feed manufacturers determine what ingredients will be used, in West Germany demand comes from the farmer. As a result, our promotional efforts for soybean meal are targeted at the farmer level.

Q: What is the size of the market for U.S. soybean meal?

A: West Germany imports more than 2.5 million tons of soybean meal annually. Recently, we have seen increased sales of soybean meal of 15-20 percent in some areas of West Germany, even up to 30 percent in some parts. That makes me and U.S. farmers *very* happy. Especially after the difficult years of 1983-84.

Soybean imports and crushings were reduced as a result of an explosion at one of West Germany's 10 soybean processing plants. This plant, Oelmuehle Hamburg, which accounts for 25 percent of the market, has been rebuilt; and soybean imports for 1985 were expected to reach their pre-explosion level. Actually, the plant's capacity has increased by almost 1 million tons. That looks very good for soybean meal consumption in fiscal 1986. I expect that grain prices will continue under pressure, which favors increased consumption of soybean meal.

Q: What kinds of activities does ASA sponsor in West Germany?

A: Because of the uniqueness of the West German market, our promotions

are geared toward farmers, farmer associations, key livestock producers and breeder associations. Very importantly, ASA has excellent contacts with the West German agricultural extension service. Our promotional materials include leaflets, which are supplied by the extension service directly for the farmer's use, and educational movies.

Our intent here in West Germany is to stay with the feed dealers and extension office, who in turn work with the farmer directly. This creates more work, though it is not more difficult, than in other countries where ASA works with feed manufacturers and crushers who determine what will be imported.

We have strong grass roots support and demand for U.S. soybean meal here in West Germany. Even in critical years, soybean meal consumption did not drop off dramatically. The West German market is a more secure one as a result.

Q: What competition do you face?

A: We are seeing heavy competition from rapeseed meal. The European Community has set the price for rapeseed at such a high level that it is very attractive to farmers to grow, more so than wheat. We are also getting competition from legumes—lupins, peas and field beans. These items are cheaper, but not as good. The quality of feed could decrease with increased use of these items.

Q: What do you do to counter this competition?

A: ASA stresses quality in the face of this competition because we cannot compete on price. The lower dollar also helps. But fluctuations in the dollar don't help at all in getting a long-term, steady supply. It makes it difficult to buy ahead.

In addition, we have new developments. For example, soybean hulls are available to commercial processors. Hulls have been used as cattle feed in feeding trials. The result is that whole hulls have a feeding value

of 80 percent of corn. This is much higher than we anticipated. This new information is a bright spot for the soybean industry and will hopefully lead to increased sales for soybean hulls and a better price for them. It adds to the whole use of the bean.

Q: We've talked about promotion of soybean meal, but what about ASA's efforts for soybean oil?

A: We expend considerable effort to promote U.S.-identified soybean oil in West Germany. This is geared toward the consumer level. We want consumers to know what oil they use (U.S. soybean oil) and that it's No. 1 in the market. This is the same strategy that we use in soybean meal promotion—getting down to the consumer.

By identifying soybean oil in the market, we keep the demand at the consumer level, which is relayed, in turn, to the supplier.

In a survey conducted in July 1982, three-quarters of the respondents were familiar with soybean oil. Soya (as it is called in West Germany) has a good image with consumers. We have made very good progress despite competition from locally produced rapeseed and sunflowerseed oils.

The real need for us here in West Germany is to maintain our market share. If we don't, it drops drastically. Brazil and Argentina have increased their market shares.

Q: What are our alternatives in meeting the competition?

A: We can stress quality, price, image, services and U.S.-identification. We have to consider *all* these things.

Q: What is the biggest obstacle you face?

A: The biggest obstacle is that there is no market. We have to *make* the market. This is true for everyone. What I mean is that we have to come up with new food uses such as protein-enriched bread and new recipes with soy products. We have to make the market for new products. We are working with individual companies to develop new items and sell the product. An example is 100 percent soy oil margarine.

Q: How have things changed in the 25 years you have been working with ASA in northern Europe?

A: It is different for meal and food use/oil sectors. Even 25 years ago, there was an excellent awareness of soybean meal here in West Germany. As early as 1930, West Germany processed 1.3 million tons of soybeans, three times what the United States was producing. (The beans came from China.) Soybeans and soybean products are traditional in West Germany because of the importance of the crushing industry.

The big changes have come in the food area. There has been a tremendous increase in the awareness and image of soybean products. West Germans feel these products are healthy, nutritious and versatile in their use. This certainly is one change I have seen.

Another change is increased consumption and imports of soybeans. West Germany now processes about 3 million tons of U.S. soybeans.

A third change is the growing acceptance of soy protein by the food industry.

Q: What do you see in the future?

A: We have work to do in all areas, especially:
—Resolving food law problems. In West Germany, soy protein cannot be added to foods. We have to work on this.
—Promoting whole soy foods in the institutional trade. We are seeing tremendous demand for these items.
—Promoting whole soy food dishes in general, as consumer demand for soy/vegetable protein products is growing. I think this area is where we will see tremendous progress in the next 10 years. I consider our work in this area to be pioneering. ■

ASA Taps Growth Potential for Soy Protein Products in Sweden

By Dieter Kundrun

With Swedish meat prices increasing at a rapid rate over the past few years, the American Soybean Association (ASA) is tapping the potential of the Swedish market for soy protein products, particularly as a meat extender.

To take advantage of this potential, ASA ran a major promotional campaign in Sweden in 1985 using the slogan "The New Generation of Soy Protein Products." This campaign included media advertising, public relations activities directed toward opinion leaders, consumer promotion events and point-of-purchase activities.

While most West European countries still have restrictive food regulations that limit or prohibit the use of soybean protein products in food, Sweden is not one of them.

Institutions Consume Most Soy Protein

Institutional users such as schools, hospitals and the government consume most of the soy concentrates and isolates sold in Sweden, primarily as minced meat products. Minced meat consumption by these institutional users is approximately 25,000 tons.

For the past three years, the ASA has been working closely with the Karlshamn Oilfactory, the largest distributor of soy protein products in Sweden. Together, they have carried out joint market research studies and sales promotion campaigns to inform and educate institutional users on the versatile properties of soy protein products.

Good Potential at the Consumer Level

ASA has found that there is a much larger but relatively untapped market for soy protein products at the consumer level in Sweden.

In 1984 (most recent data available), Swedish consumers used approximately 75,000 tons of minced meat products. If only 5 percent of the minced meat was supplemented by soy protein, this segment could absorb almost 4,000 tons of soy protein, with a market value of $6-7 million.

To increase soy protein consumption in Sweden to this volume, however, requires more consumer information and educational activities.

ASA Conducts Soy Protein Survey

To develop a market-oriented strategy for increased consumption, ASA, along with Swedish third-party cooperators, carried out soy protein attitude surveys at both the institutional and consumer levels.

Results indicated general knowledge about soy protein products was very limited. Those who did know about soy protein products, however, were generally positive about them. More than 70 percent of the survey's respondents said they would like to get more information about these products.

One area in which the ASA sees good potential at the consumer level is using soy protein as an extender in meat. Meat prices in Sweden have increased rapidly over the past three years as the government gradually reduced subsidies. In 1984, Swedish consumers spent approximately $2.5 billion for meat products, 25 percent more than in 1982, and more than 20 percent of total food expenditures.

During the same period, per capita meat consumption fell from 56 to 53 kilograms. In view of the high prices for pure meat and meat products, chances are good that consumers will be more receptive to the idea of extending minced meat products with high-quality soy protein products.

Soy Protein Use in Meat Balls

One example of a potential use for soy protein is in meat balls, a traditional Swedish food item. A well-known newspaper for restaurants and institutions recently published the results of a consumer taste panel that had sampled five different meat balls from well-known producers. The sampling was carried out through a taste panel of 200 persons in a test kitchen in Stockholm.

Two of the five meat balls had been extended with soy protein. The results were very positive, as the panel could not detect any difference in taste between the pure meat products and the soy protein-extended meat balls. Even the appearance and consistency was rated about equal.

Currently, soy protein-extended meat balls sell for about 30 percent less than the pure meat products. In addition to the economic advantages of using soy protein, the ASA is stressing its nutritional aspects as well.

In 1984, the ASA started a major soy protein promotion campaign with Nordium AB, the market leader in health food sales in Sweden. Nordium has introduced three new soy protein-extended lunch products under the brand name of Friggs.

Encouraged by favorable market conditions (the natural food sector is one of the few areas within the Swedish food industry that has had steady growth during the past few years), Nordium decided to put soy protein products into the top priority group for distribution not only to health food stores, but to supermarkets and discount stores as well. ■

The author is associate director of the American Soybean Association's north European office in Hamburg, West Germany.

Danish Demand Could Boost Export Potential for U.S. Soy Products

By Dieter Kundrun

The American Soybean Association (ASA) has been focusing increased attention on the Danish market because of the interest there in using soybean meal in animal feed rations.

Agriculture accounts for about 30 percent of Denmark's export earnings and many of the 112,000 farmers are involved in the production of milk, meat and eggs. Denmark ranks as the world's largest exporter of pork, second largest of butter and third largest of cheese.

In addition, the Danes produce more than 6 million minks each year, making them the world's largest exporter of mink skins.

Thriving Industry Needs Protein Feeds

To meet the feed demand of the thriving livestock and poultry industry Denmark's imports of protein feeds exceeded 2 million metric tons last year. This included 1.2 million tons of soybean meal, which is now generally recognized as the major protein feed. This year soybean meal imports also are expected to be about 1.2 million tons.

In 1984, the soybean meal share of all oilseed cakes and meal approached the 60 percent level, leaving only 40 percent for all other vegetable protein feeds, including cottonseed meal, sunflowerseed meal and rapeseed meal.

By-Pass Protein for Dairy Rations

Although soybean meal is the principal protein feed in hog rations, only 20 percent of the total soybean meal consumed is used in cattle feed. This percentage could be increased by adding more by-pass protein to dairy cow rations.

ASA sponsored a seminar on this topic for the Danish feed industry. At the seminar, Danish and German cattle nutritionists explained the feeding value of soybean meal treated to bypass the rumen. In this way, intact soy protein is directly absorbed by the cow.

ASA hopes that seminars such as this will lead to further gains in use of soybean meal in dairy rations in Denmark.

Mink Industry Possible Feed Market

Another potential market for soy products is the rapidly growing mink industry. During the past four years, the number of breeding minks rose from 1 million to 1.6 million, and prices of mink pelts increased by 22 percent.

The mink feed consists mainly of animal protein such as fish offals, meat scraps and fish meal. Vegetable proteins require special processing to be as digestible as animal proteins. In addition, minks do not grow as rapidly and pelts are not as luxuriant when larger levels of vegetable proteins are included in the feed.

Presently, Danish mink feed producers have little choice except to import fish offals and fish by-products from several North European countries to meet the protein demand in mink feed rations. This material is expensive since it is perishable and must be shipped frozen.

Soybean Meal Could Supply Protein

ASA believes that soybeans and soybean meal could play a much larger role in meeting the protein requirement for mink feeding rations.

In 1983 and 1984, ASA was involved in a research program with the Danish Fur Breeders' Association at the University of Copenhagen to study the potential of soy protein.

Research, coupled with an education program for mink breeders and producers, could result in opening up markets, not only in Denmark, but in Norway, Sweden, Finland, Canada and other countries as well. ■

The author is associate director of the American Soybean Association's North European office in Hamburg, West Germany.

Hungary Holds Potential for U.S. Oilmeal Sales

By Christian J. Foster

Although overall sales of U.S. soybean meal and cake to Eastern Europe have decreased substantially over the past few years, Hungary is one prospective bright spot for these products. In 1984, the United States exported $30.5 million worth of soybean cake and meal to Hungary.

Hungary depends on imported oilseed meal to supply a strong livestock sector that brings in hefty supplies of hard currency. In that respect, the country is unique within the East European region, which has fallen on hard times in recent years.

Hungary May Prove the Exception

Hungary is the largest per capita food producer in Eastern Europe, yet it may offer the best opportunity in that region for expansion of U.S. agricultural exports.

It also holds the leading position in agricultural reform. What sets the country apart is that, except for Romania, it is the only Council for Mutual Economic Assistance (CEMA) member that belongs to the World Bank and the International Monetary Fund. Hungary and Romania also have been granted "most favored nation" status by the United States.

Although Hungary is a net exporter of agricultural goods, it imports a sizable amount of farm products. The country's largest agricultural import by far is soybean meal, which is fed to the country's strong livestock sector.

Livestock production—primarily swine and poultry—receives a high priority because of the much-needed hard currency earnings it brings to Hungary from exports.

About two-thirds of Hungary's agricultural and food industry exports consist of animal and livestock products. Hungarian meat exports are the largest in Eastern Europe. According to one Hungarian economist, "nothing (in the farm sector) can replace meat production in terms of the volume of foreign exchange earned."

U.S. Could Capture Bigger Share of Hungarian Oilmeal Imports

Although Hungary's total imports of soybean meal may not increase by much during the next five-year plan (1986-90), there is a good chance that the United States may be able to capture a greater share of the market because of Hungary's goal of exporting more processed meat to the United States, according to James Freckmann, U.S. agricultural counselor in Vienna, who covers the region for USDA.

Freckmann says that during the next five-year plan, processed meat sales to the United States, primarily hams, are expected to reach $100 million, triple the current level.

The United States has been the second largest source of Hungary's soybean meal imports, accounting for about 20 percent of the average total volume of 600,000 tons in recent years. Hungary currently takes between 1 and 3 percent of total U.S. soybean meal sales. It is also the largest U.S. agricultural export item to Hungary, accounting for 50-80 percent of the total value of U.S. farm sales to the country.

U.S. Faces Stiff Competition

In trying to expand the U.S. share of Hungary's soybean meal imports, the United States faces strong competition from Brazil. The largest supplier of meal to Hungary, Brazil provides about 70 percent of the total tonnage of soybean meal imports.

Brazil's advantage in the Hungarian soybean meal market is due mainly to the existence of a government-to-government "clearing agreement" that includes provision for preferential financing of Brazilian exports to Hungary.

Strong Dollar Takes its Toll

The high value of the U.S. dollar on the world market vis-a-vis other currencies has taken its toll on imports of U.S. farm products. The Hungarian market is no exception. At the same time, Brazil's highly devalued cruzeiro and the country's faltering external financial situation have created conditions under which Brazil is willing to trade at terms below the competition.

Another consideration, although apparently less significant in terms of Hungarian-Brazilian trade, is the use of countertrade or barter. Common among CEMA and developing countries, countertrade requires little or no exchange of hard currency and as a result is highly favored. This type of trading arrangement is advantageous to East European and developing countries, but it is not used as widely in the West.

To meet the competition in the Hungarian market, the United States has an ongoing market development program run by the American Soybean Association (ASA), which has been active in Hungary for eight years.

Most of ASA's projects are technical in nature, since the Hungarian livestock industry is highly advanced. Current projects include showing the Hungarians how to use U.S. soybean meal along with local products, such as high-moisture corn, more efficiently in the livestock feeding programs.

In another project, this one on waste management, ASA has brought in technical experts to help the Hungarians with the finer points of swine management. ASA also invited Hungarian government officials to ASA-sponsored conferences to meet with U.S. soybean meal traders.

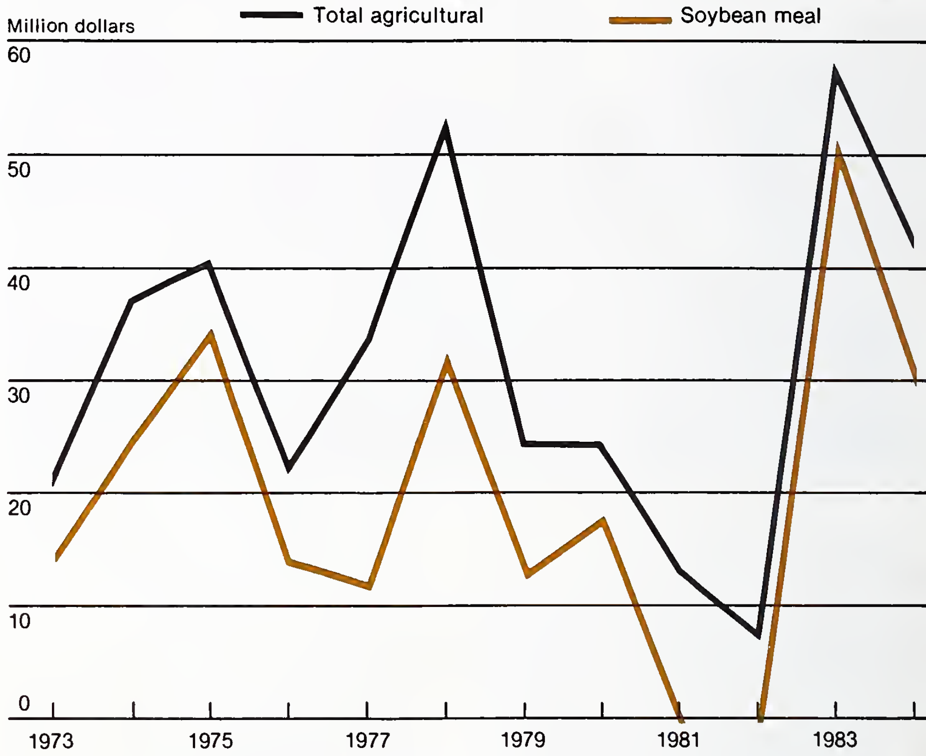
ASA has put considerable effort into building a good trading relationship with the Hungarians. Joe Zak, director of ASA's operations in Europe, Africa and the Middle East, calls Hungary one of the "bright spots" in Eastern Europe.

According to Zak, Hungary could increase its usage of soybean meal by 25 percent within the next 5 years. Although competition from Brazil is intense, Zak believes the Brazilians have about reached their production limit for soybeans. But the United States, he says, can increase its production to keep pace with growing overseas demand.

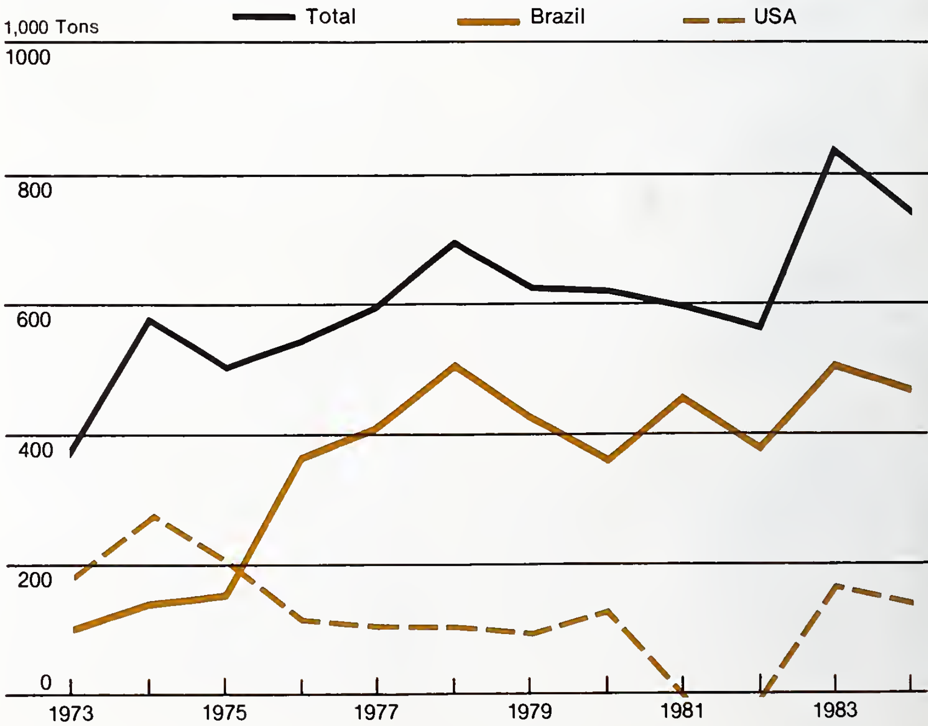
On September 3, Agriculture Secretary John Block announced the authorization of $22 million in Commodity Credit Corporation (CCC) credit guarantees under the GSM-102 program for Hungarian purchases of U.S. agricultural products for fiscal 1986. This is the fourth consecutive year the United States has extended CCC credits to Hungary. ■

The author is with the Eastern Europe and USSR Branch, Economic Research Service. Tel. (202) 786-1710.

U.S. Agricultural Exports to Hungary Were Mostly Soybean Meal in Recent Years



U.S. and Brazil Supply Bulk of Hungary's Soybean Meal Needs



Protectionism Threatens World Shipping

By Kay L. McLennan

Overcapacity in international shipping has triggered increased protectionism in ocean transport markets by foreign governments. The result: decreased competition that in the long run could lead to higher rates, reduced services and increased complexity in export transactions.

From agriculture's perspective, increased shipping protectionism is coming at a time when many feel that if U.S. farm products are to be competitive and U.S. farmers are to make a return on their investments, transportation costs must remain at the lowest possible level.

A Look at World Shipping

The majority of U.S. farm exports are transported by merchant ships. The world merchant fleet includes more than 25,000 vessels with a combined capacity of over 67 million deadweight tons (equal to the difference between the number of tons of water a vessel displaces when empty and when fully loaded).

There are two major types of services offered by the world fleet— charter and liner (See box, page 12).

Charter vessels carry dry bulk commodities. Generally, owners lease their ships for a set period of time or for a single voyage. The charter market is highly competitive with its services traded at major transportation market centers, such as the Baltic Exchange in London, and at worldwide points through telephone and teletype communications.

Because bulk grains—especially corn and wheat—make up the largest volume of U.S. farm exports, charter services are widely used by U.S. agricultural shippers.

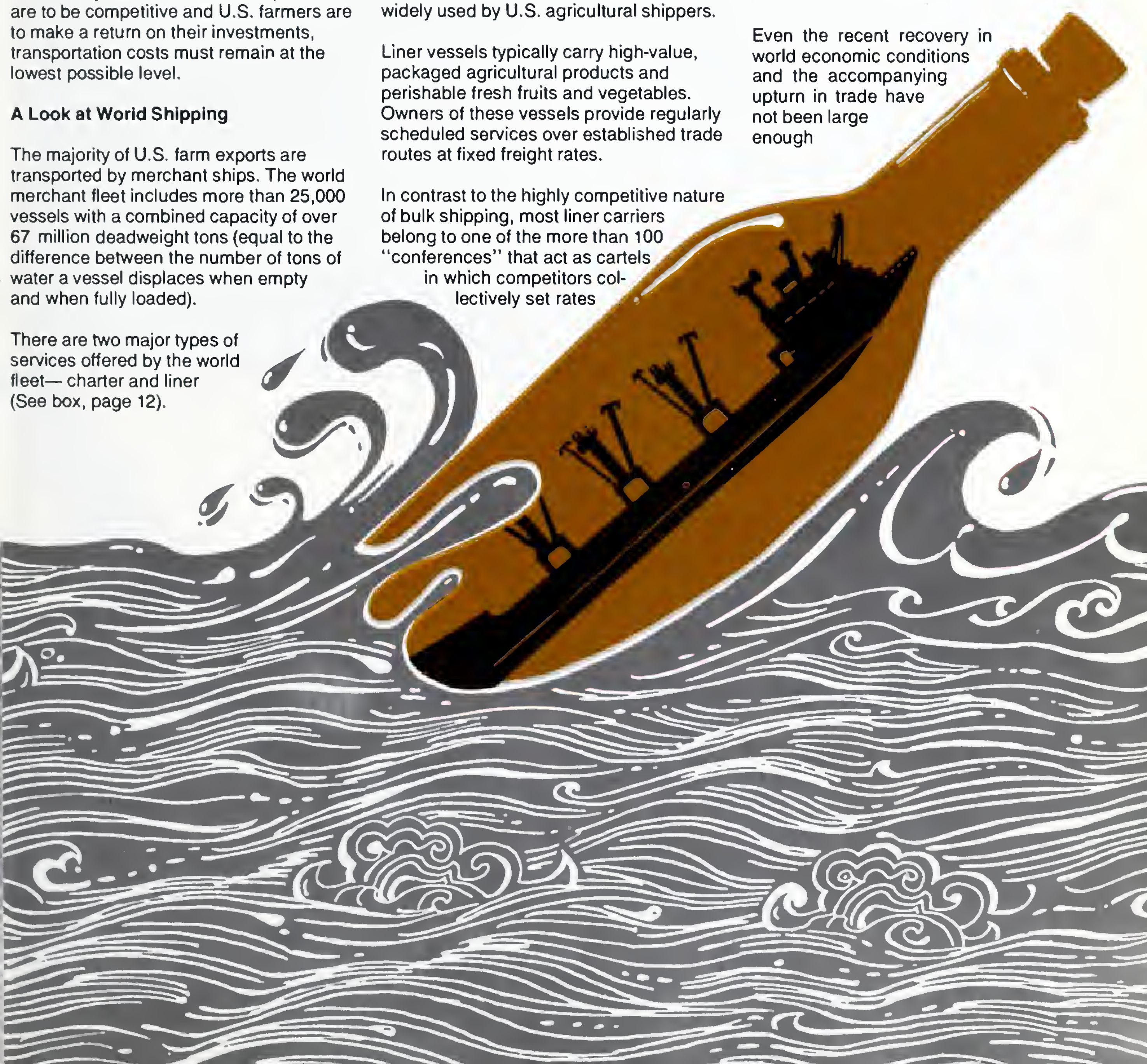
Liner vessels typically carry high-value, packaged agricultural products and perishable fresh fruits and vegetables. Owners of these vessels provide regularly scheduled services over established trade routes at fixed freight rates.

In contrast to the highly competitive nature of bulk shipping, most liner carriers belong to one of the more than 100 "conferences" that act as cartels in which competitors collectively set rates and apportion cargoes. Whether a member of a conference or not, all carriers handling U.S. offshore commerce must follow certain regulations prescribed by U.S. shipping laws.

Surplus Shipping Space Plague Market Conditions

In step with the agricultural export decline, the charter shipping market has been depressed since the level of world trade started to fall in 1981.

Even the recent recovery in world economic conditions and the accompanying upturn in trade have not been large enough



World Fleet Offers Two Major Types of Services

	Liner	Charter
Types of Products Transported	High-value, packaged agricultural products and perishable fresh fruit and vegetables.	Dry bulk commodities like wheat, corn and soybeans.
Size and Characteristics of the Industry	Limited number of firms. Barriers to entry include high start up costs and closed ratemaking groups (called conferences) in many countries. In the United States, however, conferences are required to be open. Highly regulated—The Shipping Act of 1984 governs the operation of carriers.	A lot of firms, very competitive. Barriers to entry include high start-up costs. Buyers and sellers of services enter the market through brokers who act in their behalf. No regulatory body to interfere with the free market process.
Ratemaking	Ratemaking occurs within various conferences that operate on the different trade routes. There are some independent carriers who set their own rates.	Interaction of buyers and sellers determines the level of rates. Rates fluctuate continually, even from hour to hour.

either to notably offset the surplus of available shipping space or to appreciably raise freight rates.

Although average freight rates for moving grain from the U.S. Gulf to Rotterdam dropped from $18.15 per ton in 1980 to $8.95 in 1984, the lower rate still represents a 60 cents-a-ton strengthening from the previous year.

The world order book of new vessels and the phasing out of older vessels followed a pattern similar to freight rates. All have decreased dramatically since 1980, although a slight improvement has occurred in the last year or so. Despite the small upturn, the amount of surplus tonnage remains large.

Overall, conditions in the liner market are somewhat better than in the bulk charter market. While 1984 was a successful year for carriers operating in the U.S. liner trades, the first two quarters of 1985 were disappointing at best. Yet, it is likely that the most recent deterioration of the liner market simply reflects the fact that 1984 was an exceptional year.

Looking into the future for both charter and liner markets, there is some optimism for improvement based largely on such factors as declining petroleum prices and positive signals from manufacturers and producers of raw materials.

Current conditions in world shipping markets are having good and bad impacts on agricultural exporters. On the positive side, lower freight rates bolster the U.S. ability to export to certain markets and add increased profits from foreign sales. On the negative side, there is the protective movement among foreign governments to tighten their national shipping lines, thus threatening the short-term gains.

Protectionism Takes Various Forms

From historic times to the present, all maritime nations have employed various means to protect their national shipping. The most common form is by reserving certain cargoes for national carriers.

In industrialized or developed countries, this is achieved through closed conferences. In the United States, however, conferences are required by law to be open to all who wish to join. In less developed or developing countries, government intervention is typically more pronounced with state ownership of shipping lines.

U.S. maritime laws provide for two types of cargo reservation. All cargoes carried in domestic intercoastal trades and a certain portion of government-impelled cargoes (cargo that is owned or financed by the U.S. Government) are reserved for U.S. built, owned and crewed vessels. The latter form of reservation is called cargo preference.

Also, the United States is party to bilateral cargo-sharing agreements with Brazil and Argentina and has had these types of agreements with other nations, such as the Soviet Union and China. ■

The author is with the International Economics Division, Economic Research Service. Tel: (202) 786-1624.

Maritime Cargo Policies Vary Among U.S. and 10 Major Trading Partners

Country	Cargo Reservation Practices	Other Supports of Merchant Fleet	Position on UNCTAD Liner Code	Government Ownership of Merchant Vessels
United States	100% between two U.S. ports. Certain amounts of government-impelled cargoes (those owned or concessionally financed by the government) are reserved for U.S. flag vessels.	Operating and construction subsidies, tax benefits and loan grarantees available.	Adamantly opposed to the agreement.	None.
Japan	No specific cargo preference laws, but government financing and licensing resulting in "Ship Japanese."	Operating and construction subsidies available.	Not party to the agreement.	Some.
USSR	General approach to trading is to negotiate bilateral agreements that stipulate reservation with various trading partners.		Acceded in 1979.	100%
Netherlands		Direct and interest subsidies as well as government credit guarantees available.	Acceded in 1979.	Some.
Mexico	Pursues a goal of 40% reservation for Mexican-flag vessels through administrative actions. 50/50 cargo sharing on container shipments. All coastal and petroleum trade.	Operating subsidies as well as freight rate subsidies for shippers available.	Acceded in 1976.	Most.
Canada	100% between two Canadian ports.	Construction and modernization subsidies as well as other tax advantages available.	Not party to the agreement.	None.
S. Korea	All cargoes, except when Korean vessels are not available (amounted to 50% of the country's trade in 1981).	Operating and construction subsidies as well as tax advantages available.	Acceded in 1979.	None.
Tawain	No cargo preference laws, but, in practice, preference is given to carriers that maintain regular liner services.	In special cases construction subsidies are available. Also certain tax advantages available.	Not party to the agreement.	Some.
West Germany	100% between coastal ports.	Ship construction subsidies, loans and credit guarantees available along with various tax benefits.	Ratified in 1983.	None.
Spain	100% between coastal ports. 100% on certain commodity imports such as petroleum, tobacco and cotton.	Operating and construction subsidies, preferential loans and tax benefits.	Not party to the agreement.	11%
Egypt	State-controlled booking of ship space and vessel chartering which ensures full employment of Egyptian-flag vessels.	Tax incentives.	Acceded in 1979.	Yes.

UNCTAD Actions Intensify Shipping Protectionism

By Kay L. McLennan

A major force behind the intensified protectionism in world shipping has been the Committee on Shipping of the United Nations Conference on Trade and Development (UNCTAD). The major accomplishment of the committee has been the enactment of a Code of Conduct for Liner Conferences in 1983.

The code's objectives are to help the less developed countries (LDC's) build up their own merchant fleets and increase the income they receive from shipping. In addition, the code is intended to regulate the behavior of more than 100 conferences, whose members collectively set shipping rates and assign cargoes. The LDC's assert that these conferences earn monopoly profits at their expense.

The code attempts to achieve committee objectives by providing for:

• Self-restraint in fixing rates; that is, freight rates should be fixed "at as low a level as is feasible from the commercial point of view;"

• Freight rate freezes of 15 months; and,

• Cargo reservation on the basis of a 40-40-20 formula, with 40 percent of the cargo of a particular trade being reserved for the two countries participating in the bilateral trade and the remaining 20 percent for vessels of other countries.

Even though the code was enacted several years ago, its impact is only beginning to be felt as signatory nations begin to pressure other countries—such as the United States—not party to the agreement to adopt the cargo-shipping provision.

After the liner code entered into force, the UNCTAD Committee on Shipping turned its attention to the international registration of vessels. All ships wishing to enter world ports must be documented. The country and conditions under which a vessel is documented is referred to as the registration of the vessel.

A significant aspect of the documentation of vessels involves what is commonly called the "open registry of ships." This term refers to the ability of a citizen of one country to register a vessel in another country. Some countries, such as Panama and Liberia, are heavily booked registration points largely because of such features as low or nonexistent income tax on vessels.

LDC's Want Open Registry Dropped

It has been the intent of the LDC's that dominate the UNCTAD Committee on Shipping to phase out the open registry of ships.

These countries believe that bulk shipping is controlled by multilateral corporations which use open registry operations to facilitate transfer pricing techniques. That is, given the increased operating costs inherent in registering a ship in most developed countries, if open registry were disallowed, bulk shipping would shift to developing countries that have a comparative advantage owing to a lower wage scale.

The LDC's are continuing to pursue this goal at the U.N. Conference on Conditions for Registration of Ships which recently concluded its third session.

In the United States, efforts to increase protection of national shipping lines have included legislation pending in Congress which would extend cargo reservation to commercial cargoes.

One bill—the Competitive Shipping and Shipbuilding Act of 1985—would mandate that 20 percent of all bulk imports and exports be transported on U.S.-flag vessels.

Advocates of this bill maintain that additional support of the U.S. merchant marine fleet is necessary for national security—that in time of war a viable merchant fleet would be needed for military purposes and to supply the civilian economy.

Those opposed argue that cargo reservation adds substantially to transport costs. This not only hurts U.S. competitiveness in world markets, they say, but it may not be the best ways for meeting national defense shipping needs.

One Option Cited

In a recent Office of Technology Assessment Workshop on cargo policies, the Department of Defense suggested that for national security purposes the United States needs other types of vessels than those most commonly used in the U.S. merchant fleet. The Defense Department concluded that buying the needed vessels and putting them into the National Defense Reserve Fleet costs less than traditional subsidy programs. ■

The author is with the International Economics Division, Economic Research Service. Tel. (202) 786-1624.

UNCTAD

1987 NASDA Food and Agriculture Show: The Time to Prepare is Now

By F. Farrell Higbee

Now is the right time for exhibitors and potential exporters to begin planning how they will participate in the National Association of State Departments of Agriculture's third biennial Food and Agriculture Exposition, scheduled for April 29-May 1, 1987, in Seattle, Washington.

A major theme of the NASDA Exposition will be trade opportunities within the Pacific Rim nations, perhaps the world's fastest growing market for agricultural commodities and one that is increasingly open to changes in diet and new food tastes.

Seattle was chosen as the location for the show so that visitors from Pacific Rim nations could meet U.S. companies while en route to other U.S. locations. The NASDA show also will emphasize export education, teaching inexperienced and seasoned exporters alike how to be more successful in international trade.

NASDA Show Is Unique Event

The exposition, co-sponsored by the Foreign Agricultural Service, is the only food and related products show designed exclusively to make U.S. products and suppliers from all parts of the country easily accessible to traders from around the world.

As a new feature to the NASDA exposition, domestic buyers also will be invited to participate on the last day of the show.

The first two NASDA Expositions attracted visitors from more than 80 nations. Potential buyers represented catering firms, department stores, supermarkets, cooperatives, hotels, restaurants, wholesalers, health food stores, fast food chains and beverage and processing industries. They came to the show because it offered direct access to many unique products not shown elsewhere, including new U.S. foods, seed, forest and nursery products.

Black Star

The slate of the 1987 show's programs and seminars will be expanded to meet the needs of an audience which includes small and large companies, new and experienced exporters and foreign visitors from many countries seeking a wide variety of products.

The exposition also will feature an Education Center with numerous government agencies and trade-related groups displaying services and providing consultations for exporters and overseas visitors.

Exhibiting exporters will have access to numerous assistance programs, such as those provided by the Export Programs Division of FAS. Overseas visitors will be able to meet many promotion groups capable of helping them locate ideal suppliers. ■

The author is the NASDA Exposition Director, Washington, D.C. Tel. (202) 628-8096.

Fact File

International Commodity Agreements: Price Stabilization Tools?

Commodity prices can fluctuate widely because of supply disruptions, changing needs or increases in world production. Over the past two decades several international agreements have been developed in an attempt to stabilize prices.

These agreements typically include a price range maintained by regulating supplies—either through export quotas or through internationally controlled buffer-stock facilities.

Other types of commodity agreements have attempted to establish forums of consumers and producers to discuss commodity issues and to provide focal points for commodity research, development and marketing.

Producers frequently have sought to stabilize prices and export earnings. Some hope not only to moderate price fluctuations but to raise commodity prices, particularly in the face of rising costs of imported manufactured goods. On the other hand, consumers are interested in agreements that provide supply assurances and minimize sharp price fluctuations.

Recently, consumers and producers have become skeptical about the usefulness of international price-affecting agreements, although some believe they play a useful role for commodities such as rubber, coffee and tin.

Negotiations were concluded in 1980 to establish a Common Fund for Commodities to pool the financial resources of associated international commodity organizations and jointly support various buffer-stock operations. To date, countries have not pledged sufficient contributions to bring the fund into force, nor have existing international commodity organizations taken steps to associate with the fund. The United States has declined to participate because of doubts about the fund's ability to fulfill the role set for it.

U.S. Participation

The United States is a signatory to two international commodity agreements that attempt to stabilize prices: The International Coffee Agreement and the International Natural Rubber Agreement. In July 1984, the United States participated in renegotiating the International Sugar Agreement, which failed to achieve a consensus for the extension of economic provisions. Although enjoying wider membership than before, the new Sugar Agreement exists only as a statistics-gathering mechanism and as a forum to discuss market conditions.

The United States belongs to several producer-consumer forums—the International Lead and Zinc Study Group, the International Rubber Study Group, the International Jute Organization, the International Cotton Advisory Committee, the International Sugar Organization and the International Tropical Timber Agreement. However, the United States declined to join the International Cocoa Agreement and the current International Tin Agreement because their economic provisions—the price range for cocoa and the size of the buffer stock for tin—are considered to be unrealistic and do not protect the interests of consuming countries.

U.S. Policy

The United States believes that international trade conducted through free markets is the most beneficial. However, proposals are considered on a case-by-case basis for economically sound, market-oriented commodity agreements that offer a balance between producer and consumer interests. Factors considered are the need for and feasibility of an agreement, as well as the proposed economic provisions. The compatibility of the proposed price range with the long-term market trend for the commodity is carefully examined. The United States also requires that the proposed price-affecting mechanism be flexible enough to affect both upward and downward price fluctuations.

Hong Kong Meat Market Grows More Promising

By Steve Washenko

People in Hong Kong are among the world's highest consumers of protein. As a result, U.S. meat exporters, already significant suppliers of bone-in beef to the Hong Kong market, can expect growing opportunities.

Pork is the most popular meat among Hong Kong consumers. About 10,000 live hogs are slaughtered every day, and an average of 150 tons of imported frozen and chilled pork are consumed each day. More than 80 percent of the live hogs come from China. Locally raised hogs, which account for less than 20 percent of the market, command a higher market price due to their higher quality. Because Hong Kong consumers prefer fresh meats to frozen, fresh pork holds close to 50 percent of the pork market.

Frozen pork has been gaining in popularity, particularly as prices of frozen pork are generally 20 to 30 percent below the prices of fresh pork. In addition, as more wives work, they can no longer afford to frequent the wet market for freshly slaughtered pork for every meal. Shopping a few times a week and storing frozen pork in the refrigerator has become a convenient necessity. The expanding catering trade also prefers frozen pork to fresh pork because of the price differential.

Apart from ribs, pork is sold mainly as boneless meat. The consumers' criterion for quality is the ratio of lean to fat rather than the particular cut of meat.

There are only a few large industrial meat processors in Hong Kong, producing cooked ham, canned picnic shoulders and various sausages. There are numerous small manufacturers of Chinese preserved meats and sausages.

Beef Is Gaining Popularity

Although the consumption of beef in Hong Kong is far below that of pork, it is a myth that Chinese do not like beef. For centuries, cattle were used in China as draft animals rather than for beef and milk, which helps explain why beef is not as common as pork in the Chinese diet. The comparatively more expensive price for beef also figures in the consumers' preference for pork.

Consumption of beef has been rising rapidly in recent years with the growing popularity of hamburger among young consumers and of steak among the increasingly affluent upper middle class and tourists.

About 600 head of cattle are slaughtered every day and about 75 tons of imported fresh and frozen beef are consumed each day. The sole supplier of live cattle is China, with small numbers coming from Australia, Thailand and local farms.

In 1984, the United States was the No. 1 supplier of fresh and frozen beef (bone in) to Hong Kong, providing 209 metric tons or 49 percent of total imports. For ground beef imports, however, the United States fell far behind Australia, and in the boneless beef group, far behind China, Brazil, Australia and New Zealand.

While U.S. beef is generally recognized for its high quality, its relative high price prevents U.S. exporters from gaining a larger share of the market.

Depending on the grades, U.S. beef is about 20-50 percent more expensive than Australian and New Zealand beef. For that reason, U.S. beef can only compete for the quality market, which is generally limited to hotels and top restaurants.

Frozen and chilled beef are imported mainly from China, Australia, the United States, New Zealand and Brazil.

Lamb Less Popular

While mutton in Hong Kong is not a meat for all seasons and is eaten only in the winter, lamb chops are served in Western-style restaurants year-round. However, these meats are much less popular than beef and pork. No lamb or goats are raised for meat in Hong Kong. The territory imports more than 2,000 tons of lamb and goat meat every year.

Black Star

Import Distribution

There are about 16 firms in Hong Kong which import frozen meats from China and some 80 importers of frozen meats from other sources. Frozen meats are sold at retail meat stalls in the wet market, frozen meat shops, supermarkets and shops.

Frozen meats are classified as reserved commodities and can only be imported by registered importers. All imported frozen meat products must be accompanied by an official health certificate issued by a competent authority of the country of origin. Frozen meat imports are subject to the inspection of government health inspectors upon arrival. An importer of frozen meat must apply for an import license for every consignment of frozen meat.

Market Opportunities Could Develop

Beef stands as the meat with the most potential for expansion in the Hong Kong market, because of the expanding tourist trade and the increasing number of Westernized upper middle class. Pork and mutton are not as competitive. Nevertheless, if U.S. meats could be made available at competitive prices, the potential in the medium-price range market would be considerable. ■

The author is assistant to the Assistant Administrator for Foreign Agricultural Affairs, FAS.

U.S. Maintains Strong Role In Hong Kong Fresh Fruit Market

By Michael L. Humphrey

Hong Kong is one of the largest and most competitive markets for fresh fruit in Asia, importing roughly $240 million worth in 1984. While the territory produces about 5,000 metric tons of tropical fruits each year, some 400,000 tons of fruits are consumed by its 6 million inhabitants.

Because Hong Kong is a free port and an open market, fruits from all over the world compete entirely on price and quality. A number of U.S. fresh fruits have been successful in this market for a long time. For example, Hong Kong is one of the largest export markets for U.S. oranges, grapes, melons, lemons, apples, plums and prunes. The market potential for other U.S. fruits still awaits exploration by U.S. exporters.

Imports from other sources include bananas and pineapples from Taiwan; mangoes, papayas and durians from Southeast Asia; pears from Japan and Australia; and mandarines, lychees and longans from China.

Oranges Top Citrus Fruit Import List

Citrus imports were 142,000 tons in 1984, accounting for 37.5 percent of total fresh fruit imports. Fresh oranges are Hong Kong's largest fruit import item. Hong Kong imported 113,000 tons of oranges in 1984, with 103,000 tons coming from the United States. Hong Kong's per capita consumption of oranges was 20 kilograms annually, probably the highest in the world.

The fresh orange market in Hong Kong is dominated by the United States which accounts for over 90 percent of the imports. The majority of these oranges are grown in California. China, South Africa and Thailand together account for about 5 percent.

The people of Hong Kong love oranges for a number of reasons. Many Chinese apparently believe that the orange is the best and most healthy of all fruit. Oranges are believed to be beneficial to all, including pregnant women and the sick.

Black Star

The high quality of U.S. oranges has earned a good name for the fruit. And, more important, demand is well met by a constant supply all year round.

Other citrus fruits imported include lemons, mandarines, tangerines and grapefruits. The United States again dominates the supply of grapefruits and lemons.

Hong Kong Consumers Enjoy A Variety Of Noncitrus Fruits

Apples, pears and grapes are also popular fruits among Hong Kong consumers. Imports of these three fruits totaled 111,000 tons in 1984, accounting for about 29 percent of total fruit imports. The United States, China, Chile, Japan and Australia were the primary suppliers.

The United States has the lion's share of the import market for apples and grapes, accounting for 65 percent of grape imports and 69 percent of apple imports in 1984. About 75 percent of the imported pears came from China, 13 percent from Japan and 8 percent from Australia.

Hong Kong is well supplied with tropical fruits from Asian countries. Imports include mangoes from the Philippines, papayas from Thailand and bananas from both countries. These, together with pineapples and other tropical fruits, added up to an import value of about $18.5 million in 1984.

Chinese consumers in Hong Kong are very fond of seasonal specialty fruits. Durians from Malaysia and lychees and longans from China are in high demand when the fruits are in season. These items may command a very high price in years when the crops are short. Consumers appear willing to pay a substantial premium for a crop which is available only for a short period of time.

Many Channels Are Used To Distribute Fruit

Imports of fresh fruits from producing countries are generally handled by importers or agents who sell to wholesalers who in turn sell to retailers at a commission.

Fresh fruits are marketed at the retail level through supermarkets, grocery stores, wet markets, fresh food stalls and hawkers on the street. While supermarkets generally offer fruits of the same kind at uniform prices by piece or by weight, other retailers offer the same fruits at a full range of prices even for slight variations in grade, color or size.

In addition to oranges, U.S. apples, lemons and grapefruits also are well recognized as quality products in this market. While the prices of these fruits are generally much higher than Chinese or Australian products, the United States is still able to maintain the largest market share due to recognized better quality.

The expanding population of Hong Kong, coupled with both the steadily rising standard of living and the growing health consciousness of consumers, will probably favor these U.S. items.

Potential also exists for larger sales of such items as avocados, berries and cherries. Consumption of these fruits has shown some increse in recent years, although their respective shares of the fruit market are still small.

These small shares may be attributed to the fruits' high price tags and the fact that these products are not familiar to the average consumer. Sales of these products have not gone much farther than to foreign visitors and to hotels. However, with adequate promotional effort, sales might be expanded considerably to the growing number of middle-class consumers.

A difficulty faced by U.S. fresh fruit is the high freight cost, especially for small quantities of goods. Because Hong Kong is a very competitive market and there is a great abundance of low-priced fruits from China, Taiwan and neighboring producers of fruits, U.S. produce can only survive in this market with either outstandingly high quality or competitive prices.

Bright Outlook for Exports

The outlook for U.S. fresh fruit exports to Hong Kong is good, despite increased competition in some commodity markets.

Exporters offering superior quality, consistency or a product that can be differentiated in some other manner—such as having a Western appeal—can expect sales growth to continue.

In addition, the continued growth of western-style food outlets should ensure a place for U.S. fruit exports well into the next decade. ■

The author is the agricultural officer in Hong Kong.

Hong Kong:

Competition Remains Stiff In Poultry Market

Imports of most poultry items will probably continue to rise to meet the expansion in market demand. China, the United States and Japan remain the major suppliers of poultry to Hong Kong. However, imports from the European Community more than doubled in 1985 over year-earlier levels and U.S. chickens will continue to face strong competition from lower priced EC products. With the increased imports from the EC, it may be necessary for U.S. exporters to create an image for their products to distinguish them from products of other suppliers in order to retain or expand the U.S. market share.

Hong Kong's own poultry industry continues to face keen competition from farms across the border in China where both land and labor are cheaper. The effects of the shutdown of many of Hong Kong's chicken farms after the 1983 ban on the use of growth hormones are still evident—although no further declines in production were expected in 1985. However, some farms have shifted from raising chickens to pigeons, and local production of pigeons and quails has managed to move up despite increased imports from China.—*Michael L. Humphrey, Agricultural Officer, Hong Kong.*

Malaysia:

Chinese Cotton Sales Could Trim U.S. Exports

One of the most significant developments for the cotton trade in Malaysia has been the emergence of China as an important supplier. From no sales at the start of the 1980's, Chinese cotton exports were up to 1,080 tons or 4 percent of the market by 1984. Despite this impressive growth, the Malaysian industry is still somewhat cautious in its purchases of Chinese cotton because of concerns about inferior and inconsistent quality as well as unreliable shipping schedules. However, as China becomes more familiar with internaitonal marketing practices, it is probably inevitable that they will become a formidable competitor with the United States in the Malaysian and other Asian cotton markets.

The United States is generally regarded as the most reliable supplier with the ability to deliver a quality product within a reasonable shipping period. However, intense competition from other lower priced foreign growths, the strong dollar vis-a-vis the Malaysian ringgit, and comparatively high freight rates have cut sharply into U.S. sales to Malaysia this season.

The long-term outlook for Chinese cotton in Malaysia will be determined by the ability of the Chinese cotton industry to improve quality and eliminate transportation bottlenecks. There are parallels to this situation in the corn trade. A few years ago, the Chinese were making a strong push into this market, threatening corn imports from Thailand. However, China has since retreated from the Malaysian corn market, preferring instead to service the much larger markets of Japan and Korea. Consequently it is possible that the Chinese will first try to service the other large cotton importing countries before turning their attention to the Malaysian market, which is relatively small. In any event, substantially larger sales of Chinese cotton to other Asian countries will inevitably hurt U.S. sales in this part of the world.—*Frank J. Tarrant, Agricultural Attache, Kuala Lumpur.*

Peru

New Trade Measures Encourage Imports of Farm Equipment

The government recently implemented several measures regarding foreign trade in order to protect and encourage domestic production as well as to improve consumers' purchasing power. While U.S. commercial sales to Peru are minimal—our position in the market is largely determined by P.L. 480 programs—there are some measures that might be of interest to U.S. agricultural exporters:

—In order to encourage domestic agricultural production, the general sales tax of 11 percent was waived on imports of certain types of agricultural equipment already eligible for duty-free entry. In addition, the government is allowing independent imports of several new items, provided that they are directed to the agricultural sector and that they do not compete with locally made products. The new items include pipes and accessories for irrigation, tractor tires, sprayers, irrigation systems, seeds, planters, plows, harvesters, threshers, forage cutters, milking equipment, fertilizer mixers, 35/180 horsepower tractors and semen storage tanks.

—At the same time, imports have been prohibited of such items as horses; bacon; evaporated and condensed milk; cheese; butter; eggs in shell; honey; most fresh, dry and preserved fruits and vegetables; grain flours; margarine; sausages; chocolates; mustard; wine; beer and cigarettes. Most of the prohibited items are of little significance to U.S. traders, except for popcorn.

—The government is rebating taxes of 20 percent of the f.o.b. export value for apples, pears and quince and 19 percent for olive oil. However, since local production hardly supplies domestic demand, it is doubtful that Peru could become an important exporter of these products in the near future.—*Kenneth L. Murray, Agricultural Attache, Lima.*

Singapore:

Shopping Habits Undergo Change

The Singapore Government has announced that no more wet markets—open markets which sell fresh meat and produce—will be built in government housing projects in order to keep the environment clean and hygienic. In their place the government is encouraging construction of air-conditioned, self-serve dry markets which will carry a wide range of farm products and fish.

The first such market to open has electronic and computerized weighing machines. Its poultry slaughtering and food processing centers deliver products such as duck, chicken and pork three times a day in trucks with cold storage facilities. Dry markets will remain open longer than the wet markets, which typically operate from 6 a.m. to noon. They also will sell a wider range of products.

Another way of grocery shopping that is catching on in Singapore is the mini-supermarket. For example, there is one company which is already supplying a chain of 124 minimarts with a wide range of products. The chain consists mostly of former provision shops—stores which provide home delivery of groceries—which have been converted into modern miniature supermarkets.—*James Y. Iso, Agricultural Trade Officer, Singapore.*

Singapore

New Soybean Dessert To Be Launched

A soft drink manufacturing company has announced plans to manufacture a soybean-based frozen dessert that will be very much like ice cream but will contain no milk. The company believes that there is a large market for this product in Singapore because about 45 percent of the country's Chinese, approximately 500,000 people, are lactose-sensitive.

The company is aiming at an adult market. It plans to emphasize the lactose and cholesterol-free features of the product and market it as a premium quality, preservative-free frozen dessert priced somewhere between locally produced and imported ice cream. The dessert will come in chocolate, strawberry and coconut flavors.—*James Y. Iso, Agricultural Trade Officer, Singapore.*

Spain:

Cut in Textile Output Could Hurt U.S. Cotton Sales

Spain's Intertextile Council is projecting that Spanish textile exports in 1986 are likely to decline by about a fifth as a result of both the establishment of the value-added tax on January 1 to accompany Spain's accession to the European Community and the simultaneous elimination of the tax rebate on exports and the Spanish compensatory duty on imported products.

Based on the latest available data for textile production and cotton imports, this suggests that Spain's cotton imports in 1986 could decline by as much as 13,000 metric tons, from roughly 64,000 tons to 51,000 tons.—*Edmund L. Nichols, Agricultural Counselor, Madrid.*

Taiwan:

Prospects for Beef Cattle Imports Improve

Taiwan's top agricultural authority, the Council of Agriculture, has decided to emphasize the beef and dairy industries equally instead of its previolus "dairy only" policy. The council reportedly will encourage yearly imports of about 2,500 high-quality beef breeding animals. The new policy, which still needs final approval, is designed to prevent further reductions in Taiwan's beef herd, which has shrunk by almost 8 percent a year since 1981. At the same time, beef consumption has grown at an annual rate of 11 percent.

Meanwhile, the Taiwan Sugar Corporation is also looking to beef production as a means to diversify and to utilize lands idled by the recent cutback in sugarcane production. The corporation already produces hogs and pulp in addition to sugar. The corporation was expected to buy 725 head of beef cattle from the United States in 1985 and may import additional animals in the future.—*John T. Hopkins, Agricultural Officer, Taipei.*

Thailand:

Cracking Nut Market Presents Some Difficulties

Although tree nuts are not a major import item, Thailand's purchases have increased sharply in recent years—rising from $82,000 in 1974 to more than 11 times that level, $930,000, by 1984. Due to very high import duties and difficulties in obtaining import licenses, smuggling is prevalent and the actual market may be as much as three times as large as official trade data suggest.

After chestnuts (which are imported from China), almonds are the most popular nut import. U.S. almond exports to Thailand, after averaging nearly $40,000 during the 1980-82 period, increased to $153,000 in 1984. Almonds accounted for two-thirds of all exports of tree nuts from the United States during the last five years. U.S. export statistics suggest that purchases are evenly divided between almonds shipped in 6- to 10-ounce packets or cans and 25-pound boxes of bulk raw almonds. The latter are normally sold to bakeries and hotels while the packaged almonds move mainly to small family-owned shops as well as supermarkets.

Almonds in bulk pack and chestnuts generally are imported throughout the year. Walnuts, hazel nuts, pistachios, Brazil nuts and mixed nuts are usually imported only around Christmas and New Year's.

As a "food" product, nut importers are required to apply for an import license—which costs about $555.55 per food item. Licenses are valid for three years. Importers must also obtain label clearances and, if the nuts are imported in sealed containers (air-tight and moisture-proof cans, bottles, foil packaging, etc.), they are subject to product analysis. If the analysis is satisfactory, importers are required to register the canned nuts as "controlled food products" at an additional cost.

Importers may have to pay as much as $800 per type of canned nut for the clearances needed to obtain import permits. It also takes at least three months (and normally 6-12 months) to process the clearance if all the documents are in order.—*Thomas Slayton, Agricultural Attache, Bangkok.*

United States
Department of Agriculture
Washington, D.C. 20250

OFFICIAL BUSINESS

Penalty for Private Use, $300

Third Class
Bulk Rate
Postage & Fees Paid
USDA-FAS
Permit No. G-262